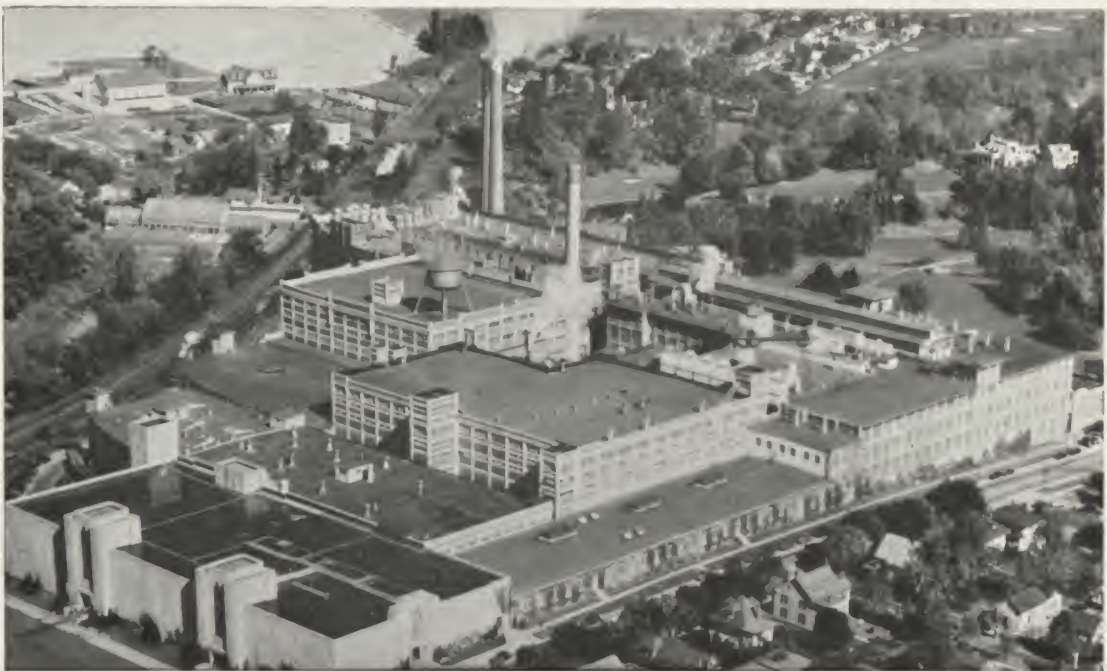


ANNUAL REPORT

DECEMBER 31, 1946

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Home of Hershey's Products

HERSHEY CHOCOLATE CORPORATION
AND SUBSIDIARY COMPANY

HERSHEY, PENNA.

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CORP. FILE

HERSHEY CHOCOLATE CORPORATION
AND SUBSIDIARY COMPANY

EXECUTIVE OFFICES, HERSHEY, PA.

OFFICERS

W. F. R. MURRIE	- - - -	President
E. F. HERSHEY	- - - -	Treasurer
L. W. MAJER	- - - -	Secretary
O. E. BORDNER	- - - -	Comptroller

DIRECTORS

O. E. BORDNER	- - - -	Hershey, Pa.
E. F. HERSHEY	- - - -	Hershey, Pa.
P. N. HERSHEY	- - - -	Lebanon, Pa.
L. W. MAJER	- - - -	Hershey, Pa.
W. F. R. MURRIE	- - - -	Hershey, Pa.
P. A. STAPLES	- - - -	Central Hershey, Cuba
D. PAUL WITMER	- - - -	Hershey, Pa.

TRANSFER AGENT
CITY BANK FARMERS TRUST CO.

REGISTRAR
GUARANTY TRUST COMPANY OF NEW YORK

AUDITORS
ARTHUR ANDERSEN & CO., NEW YORK, N. Y.

HERSHEY CHOCOLATE

AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

ASSETS

CURRENT ASSETS:

Cash.....	\$14,117,291.60
Accounts receivable, less reserves of \$203,502.39.....	2,871,338.36
Raw materials, goods in process and finished goods, at the lower of average cost or market.....	16,207,633.92
Total current assets.....	<u>\$33,196,263.88</u>

MISCELLANEOUS ASSETS AND DEFERRED ITEMS:

Supplies and repair parts.....	\$ 552,661.14	
Prepaid shipping expenses, insurance, salesmen's advances, etc. ...	<u>165,560.79</u>	718,221.93

PLANT AND PROPERTY:

<u>Particulars</u>	<u>Cost</u>	<u>Reserves for Depreciation</u>	<u>Net</u>
Land.....	\$ 116,653.35	\$ -	\$ 116,653.35
Buildings and improvements.....	9,240,995.70	4,994,990.86	4,246,004.84
Machinery, equipment and fixtures.....	14,067,260.18	9,373,131.24	4,694,128.94
	<u>\$23,424,909.23</u>	<u>\$14,368,122.10</u>	<u>\$ 9,056,787.13</u>
Construction in progress.....			138,584.47
			<u>9,195,371.60</u>
			<u>\$43,109,857.41</u>

NOTES:

- (1) The convertible preference stock of the Corporation is entitled to receive, upon any distribution of capital assets, shares equally with the common stock in any distribution of the balance until the convertible preference stock is entitled to cumulative dividends at the rate of \$4.00 per share per annum, plus an extra dividend if the account is restricted to the extent of the cost of the treasury stock.
- (2) Under the Fair Labor Standards Act of 1938 a "portal-to-portal" suit has been filed against the Company on behalf of such other amount as the court may find owing on account of overtime work alleged to have been performed by the Company. Award under this suit since, based upon opinion of counsel, the management does not believe that any liability exists.

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RY COMPANY

HEET - - DECEMBER 31, 1946

LIABILITIES

CURRENT LIABILITIES:

Accounts payable and accrued liabilities	\$ 2,167,526.82
Dividends payable February 15, 1947 on convertible preference and common stock	1,021,999.75
Reserve for Federal and state taxes	5,728,208.88
Total current liabilities	<u>\$ 8,917,735.45</u>

CAPITAL STOCK AND SURPLUS (Note 1):

Convertible preference stock (without par value) - Authorized and issued, 350,000 shares of which 78,649 shares have been converted into common stock Issued and outstanding 271,351 shares (including 17,507 shares held in treasury) stated at \$50.00 per share	\$13,567,550.00		
Common stock (without par value) - Authorized, 1,000,000 shares of which 271,351 shares are re- served for conversion of convertible preference stock Issued and outstanding 728,649 shares (including 42,900 shares held in treasury) stated at \$1.00 per share		728,649.00	
		<u>\$14,296,199.00</u>	
Earned surplus		23,691,370.65	
		<u>\$37,987,569.65</u>	
Deduct - Treasury stock, at cost - Convertible preference stock -- 17,507 shares \$ 1,287,635.19 Common stock	-- 42,900 shares	<u>2,507,812.50</u>	
		3,795,447.69	34,192,121.96
			<u>\$43,109,857.41</u>

as, \$50.00 per share and accumulated and unpaid dividends (if any) before any distribution to the common stock, and stock shall have received a total of \$100.00 per share and accumulated and unpaid dividends (if any). The convertible dividend of \$1.00 per share in any year in which dividends are declared (or paid) on the common stock. The surplus

half of certain of its employees for an amount "in excess of \$1,000,000" plus an equal amount for liquidated damages, or by such employees since October 24, 1938 but not paid for. No provision has been made in the accounts for any possible

ANYTIME is
time for a
HERSHEY Bar!



QUICK ENERGY
IN EVERY BAR

Our Stockholders, as individuals, can greatly advance the Company's interest and their own, by using **HERSHEY'S** Products in their homes and recommending them to others.

HERSHEY CHOCOLATE CORPORATION AND SUBSIDIARY COMPANY

SUMMARY OF CONSOLIDATED PROFIT AND LOSS FOR THE YEAR ENDED

DECEMBER 31, 1946

Particulars	Amount
GROSS PROFIT ON SALES	\$19,434,842.74
SHIPPING, SELLING, ADMINISTRATIVE AND GENERAL EXPENSES	5,992,261.53
Net profit from operations	\$13,442,581.21
OTHER INCOME:	
Profit from scrap and creamery products, discounts and miscellaneous income, less miscellaneous deductions (\$59,950.11)	550,729.14
Net profit before provision for income taxes	\$13,993,310.35
PROVISION FOR INCOME TAXES:	
Commonwealth of Pennsylvania income tax	\$ 337,659.91
Federal income tax	5,159,797.90
Net profit for the year	\$ 8,495,852.54

SUMMARY OF CONSOLIDATED SURPLUS FOR THE YEAR ENDED

DECEMBER 31, 1946

	Surplus at Organization	Earned Surplus
Balance at December 31, 1945	\$ 3,297,212.48	\$28,520,971.63
Net profit for the year	-	8,495,852.54
	\$ 3,297,212.48	\$37,016,824.17
Deduct:		
Dividends -		
Convertible preference stock (\$5.00 per share)	\$ -	\$ 1,269,220.00
Common stock (\$3.00 per share)	-	2,057,247.00
Charge to increase from \$1.00 per share to \$50.00 per share the stated amount of convertible preference stock without par value, pursuant to action of the Board of Directors (see Note 1 to accompanying balance sheet)	3,297,212.48	9,998,986.52
	\$ 3,297,212.48	\$13,325,453.52
Balance at December 31, 1946	\$ -	\$23,691,370.65

NOTES:

- (1) Costs and expenses include provision for depreciation of plant and equipment in the amount of \$617,531.21.
- (2) See Note 2 to the accompanying balance sheet with respect to suit filed against the Company under the Fair Labor Standard Act of 1938.

ARTHUR ANDERSEN & CO.

67 WALL STREET, NEW YORK 5

To the Board of Directors,

Hershey Chocolate Corporation:

We have examined the consolidated balance sheet of Hershey Chocolate Corporation (a Delaware corporation) and subsidiary company as of December 31, 1946, and the summaries of consolidated profit and loss and surplus for the year then ended, have reviewed the system of internal control and the accounting procedures of the companies and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

In our opinion, the accompanying consolidated balance sheet and related summaries of consolidated profit and loss and surplus present fairly the position of Hershey Chocolate Corporation and subsidiary company at December 31, 1946 and the results of their operations for the year and are in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

New York, N. Y., February 14, 1947.

ARTHUR ANDERSEN & CO.